Panel 12 -
Issues In Outsourcing

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Participants

- *Chair: Reuben S. Pitts III*

    – Head, Warfare Systems Department, NSWC, Dahlgren Division

- *Discussant: David Lamm*

    – Associate Professor emeritus, Naval Postgraduate School

- *Outsourcing For Optimal Results: Dr. Francois Melese*

    – Professor, Naval Postgraduate School

- *Outsourcing Mk 48 Torpedo Production: William Lucyshyn*

    – University of Maryland

Background

- *Outsourcing begun in Eisenhower Administration*

- *Defined by OMB Circular A-76 first published in 1966*

- *2003 GAO Report cited 61,516 positions studied for outsourcing between 1988 and 1997. 35,000 more were under study*

- *"Competitive Sourcing" is the second of five Government-wide initiatives shown in the President's Management Agenda*

- *Annual operating budget of approximately $1B*
- *Approximately ½ to contractor sources*
- *Mix of A-76 and workforce enhancement*

1. The Navy must re-assert its control over the entire shipbuilding acquisition process and reduce reliance on contractors.

2. The Navy must define the design constraints to optimize overall Fleet capability, i.e., the lead systems integrator should be the Navy not the contractor.

3. Contractors must design for production and sustainment. The Navy and the contractor should view each new platform as an opportunity to re-evaluate our production processes and not rely on existing approaches.

4. The Navy needs to use independent cost estimates as we decide on options and potential trade-offs.

5. We need to use mature specifications when awarding detail design and construction contracts beyond the lead ships, and use fixed price incentives for all but lead ships.

6. The Navy needs to provide knowledgeable program oversight.

- *When and what should be outsourced?*

- *What is the right level of government participation and control of outsourced work?*